

Office of City Auditor

Department of Neighborhoods Service Centers Cash Handling Review

November 28, 2001

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Office of City Auditor

Memorandum

Date: November 28, 2001

To: Melanie J. Reynolds, Director, Customer Service Division, Department of Neighborhoods
DaVonna Johnson, Collections Coordinator, Customer Service Division, Department of Neighborhoods

From: Yanira G. Cuellar, Assistant City Auditor

Subject: **Department Of Neighborhoods Service Centers Cash Handling Review**

Attached is our report on the Department of Neighborhoods (DON) Service Centers cash handling process. We obtained comments on a draft of our report from officials at DON and CCSS (Consolidated Customer Service System) staff, and when appropriate, we incorporated their comments into this final report.

We appreciate the assistance and professionalism of the DON personnel with whom we worked to complete this review. If you have any questions regarding this report, please call me at 233-1097.

cc: Jan Drago, Chair, Finance, Budget and Economic Development Committee
Kenneth J. Nakatsu, Deputy Director, Finance Department
Susan Busbice, Director Treasury Services, Finance Department
Patricia T. Colson, Branch Executive, Seattle Public Utilities
Andrew Lofton, Deputy Superintendent, Customer Services Branch, Seattle City Light
Carol Dickinson, Director, Customer Relations & Account Service, Seattle City Light
Fred H. Podesta, Director, Information Technology, Seattle City Light
William L. Bell, Billing Technology Director, Seattle Public Utilities

DEPARTMENT OF NEIGHBORHOODS SERVICE CENTERS CASH HANDLING REVIEW

Objective

To examine internal controls over cash handling activities at the Department of Neighborhoods' neighborhood service centers.

Background

The Department of Neighborhoods operates thirteen neighborhood service centers, but only seven accept payments. The seven centers handled over \$27 million in City revenues in 2000 by accepting cash and check payments for Seattle City Light, Combined Utility Bills, parking tickets, pet licenses and purchase of garbage stickers. These service centers also accept passport applications and renewals for which the applicant is charged a \$15 service fee payable to the City of Seattle. Delridge and University are the only service centers currently accepting payments via credit cards.

Scope and Methodology

We reviewed cash handling operations at three service centers. On April 18, 2001 we made surprise visits to the Delridge Service Center located at 5405 Delridge Way, and the West Seattle Service Center located at 4750 California Avenue. On May 16, 2001, we made a surprise visit to the Central Service Center located at 2301 S. Jackson. During the reviews we 1) performed cash counts; 2) examined service center security features; 3) interviewed service center staff to understand their procedures for securing and depositing revenues; and 4) reviewed current service center cash discrepancy procedures.

Conclusion

We identified several internal control and system issues at the service centers that required management attention. The Department of Neighborhoods (DON) responded to our summary of findings by drafting and executing an action plan for strengthening controls for its cash handling procedures and security systems.

We commend DON for initiating a review of the neighborhood service centers' cash handling procedures, and for the cooperation and professionalism of its staff in working with the staff of the Office of City Auditor.

Summary of Findings and Management Responses

Internal Control Issues and Recommendations

Department of Neighborhoods' service centers internal control procedures need to be evaluated and enhanced to minimize errors and cash discrepancy risks.

1. Voided credit card receipts are not immediately destroyed.

Customer Service Representatives (CSRs) at the Delridge Service Center throw credit card receipt voids into the recycling bin making this information readily available for potential unauthorized use. This is a potential liability for the City as credit card receipts include the full card number, expiration date and customer's name.

Recommendation

Neighborhood Service Centers (NSC) should investigate options for destroying credit card receipts, e.g., using a shredder.

Management Response

At this time, the Department has shredders in the Delridge Neighborhood Service Center and the University Neighborhood Service Center. We have ordered shredders for the other 5 NSCs. The Department instituted procedures in August 2001 for the appropriate disposal of all documents containing confidential customer information.

2. Starting cash amount is not secured within the safe.

We observed starting cash that was left unsecured in an open vault when a CSR was on leave. In this case, two CSRs shared the vault.

Recommendation

The starting cash amount needs to be secured in a locked bag and only the CSR who is responsible for the amount and the supervisor should have access to the bag's contents.

Management Response

We have obtained locking bags for all CSRs and we have developed a procedure to ensure that starting cash is only accessible by the responsible CSR and the supervisor. This procedure will be implemented at the November 9th and 16th 2001 staff meeting.

3. Per discussion with CSRs, the lunch relief CSR is not required to verify cash or sign the balancing report before taking over the register.

The lunch relief CSR taking over the cash drawer or the CSR stationed at the service center are not required to verify cash or initial the balancing report. This can be a risk for either individual if there are any discrepancies at the end of the day.

Recommendations

- ☐ Each person should be allowed enough time to verify that the cash drawer balance is accurate.
- ☐ CSRs should initial or sign the balancing report and make notations of any discrepancies after she/he has completed the verification.

Management Response

With the implementation of the new remittance system (Banner), CSRs are required to maintain their own cash drawer. They no longer take over a cash drawer from another CSR. Under the previous payment system, a procedure was in place requiring the CSR to verify the cash and checks prior to logging in and taking over a drawer. All CSRs and both CSR Supervisors have been reminded that sharing cash drawers is not allowed under any circumstance. CSR Supervisors and the Collections Coordinator will perform periodic reviews to ensure the CSRs are not sharing cash drawers.

4. CSRs are not running a tape of the revenue listed on the bank deposit slip.

CSRs are not verifying the accuracy of bank deposits because all service centers have received bank notices regarding addition errors on deposit slips.

Recommendation

- ☐ CSRs should be required to run a tape of the numbers listed on the deposit slip because this will minimize transposition and addition errors.

Management Response

A procedure was put in place in August 2001 requiring each CSR to run an adding machine tape of their deposit slip. CSR Supervisors will ensure this is being done on a daily basis.

5. Payments deposited in the night drop are opened by one CSR.

CSRs retrieve the payments from the night drop box and process it during the day as time permits. All night drops have a notice "No cash please" yet some customers deposit cash payments in the box. This creates a potential liability for the CSR if there is a discrepancy in the amount of cash receipted for an account.

Recommendation

- ❑ All envelopes should be opened in the presence of a second DON employee. Cash payments should be logged and both individuals should initial the log.

Management Response

A procedure was implemented in August 2001 which requires any CSR receiving cash in the night drop to have another staff member in the office, if available, verify the amount received. The CSR will note that a cash payment was received in the night drop and the initials of the staff that verified the amount on the customer's account will be recorded. CSR Supervisors will confirm this is happening when performing routine reviews and audits.

6. Non-system receipts are in duplicate and are not reconciled.

At times, such as when there are problems with the service center's computer system, CSRs use a loose two-part pre-numbered receipt, one for the customer and one for Department of Finance. CSRs were not aware of how or whether these receipts are reconciled.

Recommendation

- ❑ Non-system receipts should consist of a receipt book with each receipt in three parts. Periodically, the supervisor should reconcile the receipt book with the third copy to the information entered into the system.

Management Response

The supervisors have incorporated reconciliation and verification of the receipts into their monthly audit procedure.

7. Cash drawer at the West Seattle Service Center was broken and could not be locked, leaving cash unsecured.

We noted that the cash drawer at the West Seattle Service Center was broken and could not be locked which meant that it was left unsecured during lunch and break times.

Recommendation

- ❑ The cash drawer should be fixed or replaced as soon as practical.

Management Response

The cash drawer was replaced on May 24, 2001.

Cash Discrepancy Procedures Issues and Recommendations

DON's cash discrepancy procedures are incomplete.

1. The “Employee Documentation: Document all offages” procedures dated 4/18/01 are a combination of procedures.

The ““Employee Documentation: Document all offages” procedures are a combination of procedures for the CSR, the Supervisor and the Collections Coordinator.

Recommendations

- ❑ Procedures that the CSR is expected to follow should be documented separately from those for the Supervisor and the Collections Coordinator.
- ❑ Procedures for CSRs need to be sufficiently detailed (e.g., “CSRs should page their Supervisors within 15 minutes of discovering a cash discrepancy of more than \$X” is more explicit than “CSR should notify their supervisor immediately” if there is an “offage discovered prior to monies being deposited at the bank”.)
- ❑ The CSR’s procedures should specify when and how the CSR is expected to contact their Supervisor or the Collections Coordinator if the Supervisor is not available.
- ❑ Procedures should specify what the CSR is expected to do with the documents associated with the transaction(s) (e.g., stubs, checks, money, charge slips) when they cannot resolve cash discrepancies.
- ❑ Procedures should mention the consequences for CSRs not consistently adhering to procedures.

Management Response

Procedures for CSRs were revised on September 30, 2001 to include the auditor’s recommendations. The issues are addressed in procedures for:

Offages of \$5.00 or Less

Offages of \$5.00 to \$99.99

Large cash discrepancies (over \$100.00)

2. Supervisor Operating Procedures' document for cash discrepancies is incomplete.

Supervisor Operating Procedures are confusing, do not provide sufficient detail of the steps to be followed and department expectations in cases of large outage amounts.

Recommendations

- ❑ Procedures for supervisors need to be more explicit and systematic (e.g., they should state that CSRs will page supervisors when there is more than a \$X cash discrepancy).

- ❑ DON should consider revising its thresholds and creating additional procedures for significant out-of-balance amounts. Currently there are only three categories: less than \$5, more than \$5 and more than \$20. Significant cash discrepancies should be handled differently and in a timelier manner than outages of lesser amounts.
- ❑ Procedures should specify approximately how much time CSRs are expected to try to resolve cash discrepancies beyond their scheduled workday. Supervisors need to monitor the amount of additional time CSRs take to resolve discrepancies to control overtime costs and to be aware of potential performance problems.
- ❑ Supervisors should secure and review the day's videotape when cash discrepancies are above the significant threshold.
- ❑ DON should define the conditions for delaying a batch by more than 24 hours.

Management Response

The procedure for addressing offages was revised on Sept 28, 2001. We have created procedures for significant out-of-balance amounts.

3. Procedures do not include a step to ensure that amounts tendered agree with the Remittance Balancing report.

CSRs run a Remittance Balancing report which totals by tender the revenue received up to the time the report is run. DON should develop procedures to ensure that the amounts tendered agree with the Remittance Balancing report.

Recommendation

- ❑ CSRs should initial the Remittance Balancing report indicating that receipts were in balance at the time the report was run.

Management Response

We have developed a Trial Balance Procedure that requires CSRs to initial the balancing report confirming they were in balance at the time the report was run.

4. The "Audit Report-Cash Discrepancy" procedure does not include all steps necessary to determine that all the office areas have been checked.

The "Audit Report-Cash Discrepancy" procedure needs to include more steps to ensure that all the collection office areas have been checked for missing revenues.

Recommendation

- ❑ Modify the "Audit Report-Cash Discrepancy" procedures. For example additional steps should include 1) Remove and check cash tray, 2) Remove and check cash drawer, 3) Check the trash and recycling receptacles.

Management Response

The “Audit Report - Cash Discrepancy form was modified on September 28, 2001 to reflect the auditor’s recommendations.

5. Procedures do not consistently contain the date of implementation and there is no indication of the procedure date being superseded.

The “Employee Documentation: Document all offages” has a date of 4/18/01, but not the date of the previous procedure. The “Supervisor Operating Procedures” do not have a date of implementation or a date of the superseded procedure.

Recommendation

- ❑ Procedures should include the date they are implemented and the date that they were superseded. Supervisors can then use this information to track what employees learned during specific training sessions.

Management Response

The procedure template has been revised to include the date a procedure was implemented and the date it was presented to the CSR staff. Should these procedures be revised, the revision date will be noted.

Other Procedures Issues and Recommendations

DON should consider setting up Performance Measures for its staff to enhance accountability.

- **DON should establish Performance Measures for CSRs and Supervisors.**

CSRs

For example:

- ❑ DON should consider setting up acceptable dollar and frequency error limits.
- ❑ DON should ensure that CSRs have a common understanding of the consequences for not following procedures, particularly cash discrepancy procedures.

Supervisors

For example:

- ❑ Supervisors need to conduct workstation audits at least once a quarter or semi-annually.
- ❑ Supervisors should ensure that CSRs are consistently following established procedures.
- ❑ Supervisors should ensure that CSRs are properly trained in acceptable office protocol including cash discrepancy procedures. Appropriate documentation, such as attendance sign-in forms, should be kept by Supervisors to verify the training received by CSRs.

Management Response

CSRs

- With the implementation of the new Banner system the old performance measures no longer apply. The Collections Coordinator and the CSR Supervisor are collecting information to determine an average dollar and frequency of offages to establish a minimum threshold of acceptable performance. The target date for completion and establishment of this performance threshold is January 1, 2002.
- New policies and procedures are usually communicated through staff meetings. Effective September 14, 2001 we have implemented a sign-in procedure at CSR staff meetings to track attendance and verify that CSRs have received procedures and amendments. When they are distributed through e-mail, the GroupWise tracking system will be used to confirm the CSR has opened the e-mail.
- Certain formal procedures are in place to ensure that CSRs are consistently following policy and procedures. The Supervisor performs monthly site audits and results are shared with the CSR immediately. At the beginning of each year CSRs receive Performance Expectations. Performance reviews are administered annually. In addition, CSRs receive regular coaching and feedback through regular supervisor interactions.
- Supervisors and the Collection Coordinator will reinforce policy and procedures through staff meeting and other interactions. CSRs will be aware of their performance through regular feedback from supervisors.
- Should CSRs regularly fail to follow procedures, this will be addressed first as a training issue and second as a performance issue through established contractual agreements.

Supervisors

- Supervisor's 2001 performance expectations require that they perform monthly site audits for each CSR under their supervision. During these audits Supervisors are checking to see if CSRs are following established procedures. This audit form is updated regularly to check for compliance with newly implemented procedures.

System Issues and Recommendations:

Banner, a subsystem of the Consolidated Customer Service System (CCSS), which the Department of Neighborhoods began using in April 2001 for cash receipt purposes, needs modifications to improve its efficiency and security.

DON and CCSS responses to the recommendations are included below. CCSS staff stated that most of the issues identified in the report “already have as ‘open’ PICs in our CCSS Problems, Issues and Changes Database.... As of right now these PICs (Problems, Issues and Changes) have not been assigned a high enough priority in the overall scheme of CCSS to be scheduled for us to start work.”

1. Banner does not validate transactions.

CSRs are required to use stamps or write the following on each bill stub: 1) the mode of payment, “Paid by Check”, “Paid by Cash” or “Paid by MO/CC”; 2) the center location number; and 3) the transaction number. CSRs are also tearing and stapling the duplicate system receipts to the bill stubs, which are sent to the Department of Finance. The transaction receipt includes the transaction number, the batch number (which is the center location number), and the date and time of the transaction.

These procedures are very inefficient and given that CSRs are using a minimum of three stamps to process most payments -- mode of payment, center location number, and endorsement of checks -- the stapling of receipts enhances the risk of repetitive stress injuries. Also tearing the day’s receipts and having individual receipts stapled to each bill stub compromises the audit trail and can make reconciling transactions by day and by center more time consuming and inefficient.

At the time of our visits to the service centers, we were aware that three of the twelve CSRs (25%) were on medical leave with repetitive stress injuries, and five CSRs (42%) had complained of stress injuries since Banner was introduced.

Recommendation

- ❑ Banner needs to be modified to validate bill stubs. This validation should include the mode of payment, the center location number, the transaction number, and the time and date of the transaction.
- ❑ DON management should reconsider requiring the stapling of receipts because it increases the potential for injury, compromises the audit trail, and can make reconciling transactions by day and by center more time consuming and inefficient.

Management Response

DON: The Department logged a Change Control Request (CCR) with the Banner Maintenance and Operation team on 9/27/00 to have the system enhanced to validate bill stubs and endorse checks. Currently the project is developing functional specifications to detail the necessary changes to the system. These changes will also put the tender type on the receipt thus eliminating the need to stamp tender type on the receipt.

CCSS: A proposed modification will provide the means to validate bill stubs and other source documents. The validation will include the following: the batch number, transaction number, date and time, total paid, the account number or payment description, the amount paid to each account or description, the total number of items (utility and non-utility) comprising the transaction, the type and amount of each tender, and the amount of any cash back.

Printer validation of transaction documents and printer endorsement of tenders should eliminate the need for stamping these items and stapling receipts to these documents.

2. Banner does not correctly match the number of checks processed.

Banner does not correctly match the number of checks processed to the number of “CHK” transactions in the balancing reports. When one check pays more than one invoice, the balancing reports shows more than one check paid the invoices.

Recommendation

- ☐ Banner needs to be modified so that the accurate number of checks processed are reflected on the balancing reports. This will assist the CSRs in their balancing and provide accurate information.

Management Response

DON: This issue was logged in April 2001 as a defect with the system. The CCSS project team is reviewing the issue.

CCSS: This is true and a problem. What Banner counts as the number of checks on the balancing report is actually the number of accounts or miscellaneous payment records paid by check. If a customer pays two different accounts with one check, Banner shows that on the report as two checks, while the cashier really only has one. This defect is part of CCR 63. It doesn't have its own PIC/SQA.

3. Credit cards numbers are not encrypted on the receipt.

The credit card receipt includes the full credit card number, the expiration date and the customer's name and signature. This is a potential liability for CSRs and the City if this information is copied and used for unauthorized purposes.

Recommendation

- ☐ DON should work with the credit card vendor to upgrade to a credit card machine that has the capacity to encrypt credit card numbers.

Management Response

DON: We made a request to the Treasury Service on 4/10/01 to have the software upgraded.

Finance Department/Treasury Services: The State of Washington has put forth consumer protection legislation that requests the deletion (i.e., by asterisk **** *) of the first twelve characters of the card number on the consumer copy of the receipt only. The retail copy of the receipt will still show the full credit card number and must be secured or shredded. The full number is necessary in the event that there is a disputed charge or a refund request. We hope to migrate to the new terminals toward the end of the first quarter of 2002.

4. Common command is used to access Customer Service Center cash drawer.

CSRs utilize a common keystroke command to open their cash drawers. Any CSR or IT staff with a valid Banner user login id can open any Banner users' cash drawer in the Neighborhood Service Centers.

Recommendation

- ☐ DON management should deactivate the CSR's ability to open the cash drawer with a command.

Management Response

The function has been deactivated.

5. We noted that while a CSR was at lunch, we could access Banner without using a password.

We noted that after the CSR had locked the cash drawer a screen saver came on while she was preparing to go to lunch. We tested the system to see if a password was required to access Banner, and noted that a touch of the keys took us to the payment screen.

Recommendation

- ☐ Every CSR should activate the screen saver option with password activation on their computer or use other measures that ensure that the system cannot be used without their password while the CSR is away. If the CSR is called away from the workstation for a very short time, this feature will prevent other users from activating any commands to access the database.

Management Response

In the Windows 95 environment the screen saver password protection option is PC specific. This is a problem because we often have CSRs work at various PCs and they would have to share passwords. Our Systems Analyst is investigating options to bind individual passwords to the NOVELL login so that each CSR could have their own unique password no matter what PC

they were logged into. Also, our Department is migrating to Windows 2000 and it does not have this limitation with regard to screen savers and passwords.

6. The Banner system transaction numbers do not include the center location number.

The Banner system assigns transaction numbers randomly throughout all system users. This makes reconciliation and research of problems by location difficult and inefficient.

Recommendation

- ❑ Banner should be modified so that the transaction number also identifies the location.

Management Response

DON: The Banner system was modified on May 25, 2001 to have transaction numbers specific to a users batch. The batch number is location specific.

CCSS: Transaction numbers are [now] specific to each batch and each batch number contains characters that identify the specific center location.

7. The cash drawer does not open when a transaction is entered.

CSRs are required to either keep their cash drawers open or use a key to open the drawer after every transaction. Opening the drawer with a key for every transaction is not practical and could lead to additional repetitive stress injuries; therefore, CSRs leave their cash drawers open. This creates a higher risk for the CSRs if they inadvertently leave the drawer open when they step outside the office to make photocopies, use the facilities, go to lunch, etc.

Recommendation

- ❑ The Banner system should be modified so that the cash drawer opens when a transaction is entered and the CSR receipts the cash or check.

Management Response

DON: This issue was logged as a defect on 9/27/00 with the Banner Operations and Maintenance Team. This function is currently in development and is to be included in the validation and endorsement enhancements.

CCSS: This is one of the modifications to the receipt printing processes. Specifications are in development and these will provide the means to automatically open the cash drawer when a transaction is saved and when the receipt printing begins.

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* * * * *

Report: **Department of Neighborhoods Service Centers Cash Handling Review**

Please rate the following elements of this report by checking the appropriate box:

	Too Little	Just Right	Too Much
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format: _____

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Thanks for taking the time to help us.

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